

Know your history

Five reasons to check your credit report

by 2nd Lt. Chuck Widener
photo illustration by Master Sgt. Efrain Gonzalez
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Credit Bureaus

There are three major bureaus that gather your credit information, and each bureau will have different information since they don't share data. When determining your ability to pay back a loan, most lenders examine all three credit reports.

Equifax
www.equifax.com
1-888-202-4025

Experian
www.experian.com
1-888-397-3742

Trans Union
www.transunion.com
1-800-888-4213

Let's face it. Not everyone is a history buff. That's obvious to those who've ever watched an episode of "The Tonight Show with Jay Leno." As he skirts around the streets of Los Angeles during his signature bit "Jay Walking," he gets the most laughable responses to the simplest questions. When asked during one bit when Christopher Columbus discovered North America, a lady studying to be a teacher responded, "1842."

It's a scary thought that a future educator doesn't know when "Columbus sailed the ocean blue." Maybe more people would know their history if it had a more direct impact on their lives. Then again, that statement doesn't always ring true because there are many people who don't have a clue about personal history that affects them greatly — their credit history.

Just as a résumé displays your work experience to a potential employer, a credit report provides creditors, and in some cases employers and insurers, with a detailed picture of your credit history. And like a résumé, your credit report can influence whether you'll get what you're applying for.

Good credit isn't only useful in getting a loan. Credit checks are often done before a person is able to sign an apartment lease or as part of a background check before being offered a job, said Luther Branham, senior vice president of consumer lending for USAA Federal Savings Bank.

Your credit report provides a snapshot of your credit history and helps lenders make a quick, objective and accurate assessment of your credit risk. Occasionally, however, there are errors on these reports that can adversely affect your ability to get a loan or credit. Therefore, it stands to reason that you want to make sure your report is an accurate, up-to-date reflection of your credit history.

Here are five reasons why you should become a history buff when it comes to regularly reviewing your credit report.

Identity theft

In 2003, 9.9 million people became victims of identity theft. A Federal Trade Commission publication titled, "ID Theft: When Bad Things Happen to Your Good Name," points out that identity thieves use a variety of methods — low- and high-tech — to gain access to personal data like social security numbers and credit card account information.

"A thief can secretly run up thousands of dollars in bills using your name and a different or fictitious address, and you may not be aware of this until you are turned down on an application because the delinquent debt was recorded on your credit report," said Michael Jackson, associate director of the Federal

Deposit Insurance Corp.'s electronic banking branch.

The best way to catch a thief using your name is to get a copy of your credit report, according to the FTC publication. The report will show all the accounts opened in your name.

Let's assume your wallet has been stolen. The FTC suggests you contact the fraud department of any of the three major credit bureaus to place a fraud alert on your credit file. The alert is basically a request for creditors to contact you before opening any new accounts or making any changes to your existing accounts. As soon as the credit bureau confirms your fraud alert, the other two bureaus automatically will be notified to place fraud alerts, and all three credit reports will be sent to you free of charge.

Inaccuracies and mixed files

Many inaccuracies on a credit report

can be the result of simple human error. For example, a New Jersey woman named Norma Cohen was astonished when she was turned down for a loan to re-finance her home. She thought her credit was close to perfect.

Apparently, someone mixed her up with her deceased ex-husband. It's easy to see how it happened since his name was Norman Cohen. But Norma and her husband had divorced four years before his death, so she shouldn't have been held responsible for his bad debts. Though she explained the situation to the credit bureaus, it took some doing to correct the problem.

Other inaccuracies aren't so hard to dispute. The important thing to remember is you should correct even the tiniest of errors. Whether the errors relate to payments not credited or to late payments, it's best to contact the credit bureau

to dispute the inaccurate information before it does too much damage to your report.

Inquiries

Every time you apply for credit and the credit grantor checks your report, a credit inquiry is placed in your file. Credit inquiries are bad because too many of them can indicate that you're "credit hungry" and may be in financial trouble. For this reason, too many inquiries can actually make getting credit more difficult. Moreover, if you didn't authorize someone to look at your credit report and they did, they may have broken the law. In order to see who's been looking at your credit, you need to read your report.

Tracking payments

One of the most important elements of credit is a demonstrated history of on-time payments. Once you send the check though, anything can happen. A simple delay in the mail can cause your payment to arrive late which can show you as delinquent. If you call your creditors and explain the situation, they might adjust the information. Of course, if you don't read your credit report, you won't know which payments are being received and reported properly.

Credit fraud involves the theft of your credit card or account number to make unauthorized charges to your account. The thievery can happen in many different ways.

Someone could go through your trash to find discarded receipts or carbons and use them to learn your account numbers. A dishonest clerk could make an extra imprint from your credit or charge card and use it to make personal charges. Or a so-called telemarketer saying you must join a travel club to win a free trip or bargain-priced travel package could obtain your account number when you provide it for billing.

Though consumers are protected financially from this abuse, other creditors may take note of all this activity and decide to raise your interest rates or refuse to grant you a loan. Ordering your credit report will help catch new activity on accounts you haven't been using or may have closed.

When it comes to managing your credit worthiness, you've got to know your "history." It's your best resource. Then again, if you don't order your credit report, you might never have to deal with the issues. Like the woman studying to become a teacher, you also might never learn that in 1492, Columbus sailed the ocean blue. ☼

Requesting a credit report

Craig Watts, consumer affairs manager for Fair, Isaac and Co., which prepares the majority of credit ratings for lenders, recommends regularly reviewing your credit report from each of the three major credit bureaus and correcting erroneous information. He notes that this is particularly useful before making a large purchase, such as a car or house.

Requesting a report from the three major credit bureaus, known as a full three bureau report or 3-in-1 credit report, is fairly simple. The service is provided by the bureaus themselves along with banks and numerous online agencies. Simply contact one of the bureaus, your bank or do an online search using the key words "credit report."

There are services that will frequently, even daily, monitor your credit report for possible signs of fraud or theft as well. These services alert you to changes in your credit file that may indicate identity theft. But the service isn't free. The fees often range from \$70 to \$100 for a yearly subscription. The service can be more costly than obtaining periodic credit reports on your own, but the added level of convenience may be worth the cost.

In general, consider obtaining copies of your credit report annually. Also, obtaining your credit score will give an excellent idea of how you rank credit-wise. A credit score is a number lenders use to help them decide if you are a good risk. It's a snapshot of your credit risk at any particular point in time, based on your credit report.

— 2nd Lt. Chuck Widener

